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# United States Senate

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November 29, 2018

The Honorable William B. Long  
Administrator  
Federal Emergency Management Agency  
500 C Street SW  
Washington, DC 20472

Dear Administrator Long:

I am troubled by recent reports that federal disaster-relief money intended to help Puerto Rico residents recover from the devastating effects of Hurricane Maria has gone to pay excessive contractor markups and overhead costs.

The Federal Emergency Management Administration (FEMA) has provided \$3 billion in housing assistance to help those trying to recover from Hurricane Maria.<sup>1</sup> More than \$1 billion of this money has gone to the Tu Hogar Renace program, which is run by the Puerto Rico Department of Housing, to repair homes damaged by the hurricane.<sup>2</sup> But according to reports, more than 60 percent of what this program spends is going to contractors' overhead and markups, rather than actual home repairs.<sup>3</sup> For example, FEMA reportedly paid \$3,700 for generators that cost contractors \$800, and \$666 for new bathroom sinks that cost contractors \$260 to buy and install.<sup>4</sup> As a result, residents are receiving significantly less than they should for their repairs. This has led to the Puerto Rico Department of Housing receiving close to 3,900 complaints from program participants.<sup>5</sup>

The Puerto Rico Department of Housing said that FEMA approved the guidelines for awarding contracts and setting prices.<sup>6</sup> If so, it is surprising that the agency would approve rules allowing for such inflated prices. While I understand that sending materials to Puerto Rico on

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<sup>1</sup> Francis Robles & Jugal Patel, On Hurricane Maria Anniversary, Puerto Rico Is Still in Ruins, N.Y. TIMES (Sept. 20, 2018), <https://www.nytimes.com/interactive/2018/09/20/us/puerto-rico-hurricane-maria-housing.html>.

<sup>2</sup> *Id.*

<sup>3</sup> Francis Robles, \$3,700 Generators and \$666 Sinks: FEMA Contractors Charged Steep Markups on Puerto Rico Repairs, N.Y. TIMES (Nov. 26, 2018), <https://www.nytimes.com/2018/11/26/us/fema-puerto-rico-housing-repairs-maria.html>.

<sup>4</sup> *Id.*

<sup>5</sup> Ricardo Cortes Chico, Tu Hogar Renace program to be audited, ENDI (June 6, 2018, 11:37 AM), <https://www.elnuevodia.com/english/english/nota/tuhogarrenaceprogramtobeaudited-2426710/>.

<sup>6</sup> Francis Robles, \$3,700 Generators and \$666 Sinks: FEMA Contractors Charged Steep Markups on Puerto Rico Repairs, N.Y. TIMES (Nov. 26, 2018), <https://www.nytimes.com/2018/11/26/us/fema-puerto-rico-housing-repairs-maria.html>.

tight deadlines and with the island's infrastructure challenges affects the cost of materials for repairs, I remain concerned that without proper oversight and controls, money intended to assist disaster survivors has and will be wasted.

To ensure that FEMA is properly managing important disaster-relief money, I seek the following information:

1. From what source of funds was FEMA assistance provided to Tu Hogar Renace?
2. Please describe the oversight FEMA conducts over state-run disaster-relief programs that receive FEMA funds. How does FEMA ensure that its funds are properly managed?
3. What are the Puerto Rico Department of Housing's guidelines for awarding contracts and setting prices for equipment and services for Tu Hogar Renace? What is FEMA's process for approving such guidelines? Did FEMA conduct any oversight over these prices once they were set?
4. Does FEMA conduct any oversight over Tu Hogar Renace contractors? Is there a process for holding contractors accountable?
5. Generally, how much overhead, profit, and markup does FEMA allow in disaster-relief prices? Does FEMA cap the maximum allowed markup?

Please provide your response in writing by December 13, 2018.

Thank you in advance for your prompt attention to this matter. If you have any questions about this request, please have your staff contact John Lin on the Budget Committee staff at 202-224-0642.

Sincerely,

A handwritten signature in black ink that reads "Michael B. Enzi". The signature is written in a cursive, slightly slanted style.

Michael B. Enzi  
Chairman